

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 OMB-01 INT-05
FEA-01 OPIC-03 ABF-01 CIAE-00 DODE-00 PM-04 H-01
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02
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-----112139Z 000039 /73

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FM AMEMBASSY KINGSTON
TO SECSTATE WASHDC 5218

C O N F I D E N T I A L KINGSTON 2326

E.O. 11652: GDS
TAGS: EMIN, PFOR, EFIN, EAID, JM
SUBJECT: BAUXITE/ALUMINA COMPANIES PROTEST "DISCRIMINATORY
DEVALUATION"

1. JAMAICA MANAGER OF ALCOA, PAUL CROUCH, INFORMED EMBASSY
MAY 6 THAT HE HAD CONVEYED PROTEST TO MINISTER OF MINING
DUDLEY THOMPSON OVER "DISCRIMINATORY WAY IN WHICH GOJ HAS
APPLIED ITS TWO-TIERED FOREIGN EXCHANGE RATE." MANAGER
OF KAISER, ED COYNE, ALSO CONTACTED EMBASSY TO VOICE SAME
CONCERN.

2. ALCOA AND KAISER'S CONCERN STEMS FROM FACT THAT BAUXITE
INDUSTRY WAS MAINTAINED AT THE "BASIC RATE" OF \$1US EQUAL
\$.909 J WHILE ALL OTHER EXPORTERS WERE ALLOWED TO USE NEW
"SPECIAL RATE" OF \$1 US EQUAL \$1.25J. ACCORDING TO COYNE, THIS
WORKS PARTICULAR HARDSHIP AGAINST BAUXITE COMPANIES BECAUSE
THEY HAVE EXTENSIVE PAYROLL AND LOCAL COSTS WHICH ARE MET
WITH CONVERTED FOREIGN EXCHANGE. COYNE SAID LOCAL COSTS
HAVE INCREASED DRAMATICALLY REFLECTING THE 37 1/2
PERCENT INCREASE IN THE IMPORT COMPONENT OF LOCALLY
PRODUCED ITEMS. COYNE AND CROUCH BOTH ARGUED THAT
GOJ ACTIONS FLY IN THE FACE OF RECENT STATEMENTS BY
DEPUTY PRIME MINISTER COORE SAYING THAT JAMAICA
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WOULD HAVE TO MOVE TO MAKE ITS BAUXITE MORE COMPETITIVE.

3. COYNE EXPRESSED THE VIEW THAT GOJ FOREIGN EXCHANGE
ACTIONS VIOLATE THE SPIRIT OF THE RECENTLY CONCLUDED
BAUXITE AGREEMENTS. CROUCH EXPRESSED VIEW THAT
ACTION IS A DIRECT VIOLATION OF THAT PORTION OF
AGREEMENT WHICH PROHIBITS THE GOJ FROM UNDERTAKING

GOVERNMENT IMPOSITIONS OF A DISCRIMINATORY NATURE.

4. EMBASSY COMMENT: IT IS UNCLEAR HOW FAR ALUMINIUM COMPANIES ARE PREPARED TO GO IN THEIR DEMANDS FOR "EQUITABLE TREATMENT" UNDER THE GOJ'S QUASI-DEVALUATION. HOWEVER, IN THE CONTEXT OF CURRENT NEGOTIATIONS ON A RENEWED US/JAMAICAN ECONOMIC RELATIONSHIP, THE UNHAPPINESS OF THE BAUXITE INDUSTRY COULD PROVE TO BE AN EMBARRASSMENT.
DORRANCE

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Message Attributes

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